

The

GENERAL JOURNAL

Is It Time To Turn Up Your Radio?

When the Master Apprentices were belting out their 1970 hit song, 'Turn Up Your Radio', they obviously weren't thinking about the Australian accounting profession in 2010. However, forty years later the lyrics have a loud and clear message for many accounting firms.



The Commonwealth Government received Ken Henry's Tax Review in December 2009 but at the time of writing this editorial it was not available in the public domain. According to Federal Treasurer Wayne Swan, "The report will provide the foundations for a long-term plan for reform, to make our tax and transfer systems fairer, simpler and more competitive". One real possibility in simplifying Australia's personal income tax (PIT) system is to remove the need for millions of individual taxpayers to lodge basic income tax returns. Sure, we've heard it all before but I suspect the Government is very serious this time courtesy of some technological advancements.

The Review is due out shortly but the plan would only apply to the many Australian taxpayers with straight forward tax affairs. A key feature of the reform would be the ATO using IT reporting systems to collect income details from employers and dividend data from companies. By then introducing a withholding tax on bank interest, basic taxpayers would have their tax return essentially automated. The system would then calculate a taxpayer's refund or liability and give them the option to accept the calculations at a mouse click which would save time, red tape and eliminate the need to pay tax agent fees.

Over half of Australia's population (i.e. nearly 12 million individuals) complete a PIT return yet only around 9 million actually pay any tax! Around a fifth of these 9.3 million taxpayers contribute 2 per cent of net tax revenue. For the Government who perceive these personal income tax returns as inefficient and a waste of resources, the proposal is a 'no brainer'. These statistics support the case that the current PIT system is antiquated and explains why other countries replaced the model years ago.

With 73 per cent of PIT payers using a tax agent, most opposition is likely to come from those with most to lose, accountants and tax agents. The impact on each firm would vary but generally sole practitioners would be hardest hit because of their 1 return numbers. Some firms would react by focusing their attention on small businesses and clients with investment properties while others would diversify into other financial services or even exit the market. On top of the phasing out of some 1 returns, tougher economic conditions generally mean client failures and bankruptcies. In addition, other clients could be looking to cut costs and reduce accounting fees so perhaps for the first time ever, you will be losing clients and revenue through no fault of your own. At the same time, clients of bigger firms are having trouble paying their bills and could be looking to move 'downstream' to reduce their accounting fees. These downstream opportunities often prove to be the best new clients for smaller firms.

Let's be honest, GST probably disguised the need for accountants to market their services. Almost over night our work load, fees and practice values spiked by around 33 per cent back in 2000. A decade on and these proposed changes might have the reverse effect for the practitioners who have built their practice around a solid base of individual tax returns. On the flip side, firms who focus exclusively on small business clients are probably quite relaxed about the proposed changes but many of them are flat lining as their client base is ageing. From a valuation perspective this is a ticking time bomb and they need to attract younger Gen X & Y clients to replace their ageing baby boomer clients.

For every accounting firm it's time to "turn up your radio" and look at your marketing. Document your ideas in a marketing plan and recognise the power of the internet, your website and social networking. 2010 promises to be a year of opportunity given the rebounding economy and the fact that many firms turned off their marketing radios in the 'noughties'.



P.S. You'll see in this newsletter that we have moved office and re-branded after 25 years with a new logo and slogan. As the slogan says, we are here to help you succeed and we look forward to working with you in 2010.

Pat Camm



Address : 1355 High Street ,Malvern Vic. 3144
Phone : (03) 9824 5300 **Fax :** (03) 9824 5359
E-mail : admin@pjcam.com.au **Web :** www.pjcam.com.au

Safety In Website Numbers?

Here's a comforting statistic for 90% of accounting firms in this country, research suggests less than 10% of accountants currently have a website. Not only that, at least 50% of those sites are simply static 'billboards' or electronic business cards that have no marketing content or focus.

Your website should help you capture new business from the internet and be a 'silent salesperson' that creates the right first impression. If a prospective client finds you on the internet, an amateurish website (or no website at all) is not the type of first impression you want to make. Many baby boomer partners and principals are in denial on the effectiveness of websites but to win quality clients (and keep them) you need a professional looking website full of interesting and relevant content. I keep hearing all sorts of excuses from both big and small firms why they don't have or need a website including it's all too hard, time consuming or expensive to create a quality website.

Your website must appeal to the next generation of clients. Without a website Gen X & Y will perceive you to be a 'dinosaur' and if they take over the family business your role could become extinct. In addition, these generations are the growth demographic of future business owners and are IT savvy. They expect you to have a web presence and they could also form a big part of your future payroll. Ignore them at your own peril.

The good news is that a quality, inexpensive website is now available for accountants. I have teamed with the Cashflow Manager group and spent several hundred hours writing content that targets specific niche markets including tradesman, business start-ups and clients buying a negatively geared property. It is generating leads and new clients plus comes complete with built in search engine optimization so your organic search engine rankings will draw new prospects to your website.

If your current website isn't generating leads for your practice, then you've got the wrong website. To generate higher levels of traffic and more new business your website needs to be more than a billboard. It needs to have a marketing edge that tells prospects who you are, what you offer and most importantly, why you should be their accountant. Available 24/7 your website should showcase your expertise and 'sell' your full range of services.

The website offers a choice of a dozen different 'skins' so your website aligns with your corporate colours. If you visit www.yourfirmwebsite.com you can view these alternative layouts and take a 4 minute video tour of the sample website. Simply download and complete the application form from the site and you can be live in a few days. At only \$990 and \$49.50 per month you will have a quality website that will pay for itself many times over.

Practices For Sale

The period leading up to Christmas is traditionally a quiet time for listings because potential sellers are too busy running their practices to prepare for the sale. As I have said many times, selling your practice is a process that requires substantial preparation and planning. Don't expect to sell your practice in days when it took 30 years to build. I suspect the 'global financial crisis' has had a major impact on the retirement plans of many baby boomer accountants who have deferred their retirement plans. Fees currently available include :

- Mornington Peninsula \$70k—retiring practitioner with 65% of fees from small business clients
- Inner Western Suburbs \$300k - long established 'general practice' with a combination of I returns and business clients

TESTIMONIAL

"I just wanted to give you some feedback on the website to date. In the last 3 months we have traced 21 new leads to the website and have managed to convert 19 of them into new clients. Projected new fees from these clients is just over \$80,000 per annum.

The updated tradesmen and musician content has increased the number of prospects in our pipeline and just this week I have had 4 meetings with clients that all originated from the website.

In addition, we have already had 2 referrals from the 19 new clients the website has generated. Bring on 2010. "

Linda McGowan



Leasing Division Update with David Jakimiuk

The year finished in a frenzy due to the Investment Allowance tax break expiring on December 31. Many business owners purchased cars and equipment at the last minute and car sales in the month of December 2009 reached an all time monthly high of 88,700. A lack of stock at the dealers means a number of these vehicles won't be delivered until March 2010.



A number of firms have contacted us regarding ASIC taking over the regulation of consumer credit and finance broking under the *National Consumer Credit Protection Act 2009*. This national credit regime will replace the existing state and territory based regulatory regime. From 1 July 2010 you will need to apply for an Australian credit licence to operate in this area. If you decide to cease offering vehicle and equipment finance to clients because of the regulation the obvious question is why should you use our leasing referral service? In short, it's all about saving clients money and recovering your time. Briefly, here are some benefits of using the service.

1. Interest Rates - Quite simply, volume drives discounted interest rates. Our volume of activity is driven by our network of over 2000 accounting firms across the state who refer their finance deals to our division.

2. Panel of Lenders - Having a panel of lenders means we have a choice of financiers. This is critical because rates vary significantly and some institutions have specialist or preferred areas of interest such as second hand trucks, planes, tractors and 'yellow goods'. Many car dealers, brokers and internet based systems are tied to a single financier which means your client probably isn't getting the best available rate.

3. Service - We liaise with you to make sure the finance is structured in the most tax effective way. We keep you informed as to the progress of the application and I am always available to provide structured quotes and any technical advice.

4. You Get Paid - Accountants generally get involved in the process by giving advice on the type of finance structure (lease, chattel mortgage etc.) and then provide copies of tax returns and financials. Too often they don't charge their time or receive a fee for this service. We offer you a referral fee based on the price of the asset. Some firms elect to decline the fee and pass the savings on to their client.

Amount Financed	Your Fee (inc GST)
<\$20,000	\$0
\$20,001 - \$35,000	\$220
\$35,001 - \$50,000	\$275
\$50,000 - \$70,000	\$330
> \$70,000	\$385 Plus

5. Specialist - I am a dedicated vehicle and equipment finance specialist. This is all I do and have 20 years industry experience.

6. Fleet Discounts - We can access 'fleet discounts' from 24 different vehicle manufacturers on new cars and light commercial vehicles so you and your clients save money on the purchase price as well as the finance. The introduction of the discount car buying service into the leasing division has been an overwhelming success story with hundreds of clients in the first few months taking advantage of the 'fleet discounts' on new cars and light commercial vehicles.

Coming Soon...

Shortly we will be able to provide you and your clients with comprehensive insurance and gap insurance plus extended warranties on new vehicles. Watch this space.

"We've been delighted with the service Dave offers. The streamlined process in place means that we have a competitive quote immediately. His excellent understanding of finance products assists us to choose an appropriate finance option for each client. We are notified of all settlements on a timely basis and more importantly our clients are definitely saving money."



Promoting Vehicle & Equipment Finance

Should you want to promote the availability of vehicle and equipment finance to your clients we have produced a brochure specifically for display in your reception area.

A copy is enclosed with this newsletter and to obtain additional copies simply call Pat, Fleur, Sue or Dave today on (03) 9824 5300.

Vehicle & Equipment Finance

How You Can Save Time & Money

Finance Options

There are a number of ways to finance vehicles and equipment including:

Chattel Mortgage:
A Chattel Mortgage is an attractive finance option if you use the 'cash' method of accounting for the Goods and Services Tax (GST). Under the cash method, the GST component of the purchase price can be claimed for the next financial year. Interest payments are spread over the life of the loan over the term of the finance contract.

You can choose to finance the total purchase price or use a 'top-up' method to finance the loan amount and monthly payments. You can also structure the Finance for you with the GST component spread over the term of the agreement. You receive the ownership title and the title interest you will pay over the term of the loan.

By choosing a Chattel Mortgage, you become owner of the asset while the Finance provider or lender owns the loan. In the event of the borrower's insolvency, the lender has the right to repossess the asset.

Some Features of a Chattel Mortgage include:

- The requirement is met for the terms of the contract
- The finance period ranges from 12 - 60 months
- You can structure the agreement with or without a balloon payment at the end of the term
- There is no GST payable on the finance agreement

Next Time A Client Is Looking To Buy An Investment Property

How many times have you sat down with a client to discuss the tax implications of buying an investment property? With groups like BIS Shrapnel forecasting a 19% increase in Melbourne property values over the next 3 years you can expect a surge in clients wanting to talk to you about the tax consequences of buying an investment property.

At the client meeting you probably build a property scenario based on a number of assumptions and generate a draft profit and loss statement. Based on the client's marginal tax rate you break the cost of ownership down to a weekly figure so they have some sort of indication regarding affordability. Sound familiar? But what do clients leave your office with and how much do you charge for the consultation?

My research suggests, in both instances, probably not much. They might get a photocopy of your scribbled notes or the draft profit and loss statement but not much else. Given the advice is generally all verbal, it devalues quickly and you probably don't invoice the client the true value of the consultation. Because the client walks away with little tangible evidence of the meeting most smaller firms defer invoicing for the consultation until they prepare the clients tax return. Not any more.

Negative Gearing Manager is a new program that lets you systematically input the property variables such as purchase price, loan amount, mortgage rate, rental income and projected annual running costs. It also provides for the non-cash items such as building allowance and depreciation. You select the preferred ownership structure (including provision for different ownership percentages) and enter each owners current taxable income. The program then automatically generates a detailed letter of advice which embeds a number of analytical graphs and tables including the after tax cost of ownership. Attached to the letter are reports including a 25 year profit and loss projection and cashflow summary.

To complement the software we have also published a 44 page booklet, *The Complete Guide to Buying a Negatively Geared Property* that answers all your clients' questions regarding buying, maintaining and selling a property. They can also be a marketing tool with your firm name, logo and contact details printed on the front cover. Clients will now leave the meeting with a tangible booklet that adds value to the consultation.

The software and booklet provide a systemised approach to clients buying an investment property. In addition, it offers consistency of advice and quality control so you will never under charge for the consultation again. Putting the advice in writing not only improves the value of the consultation, it is a major point of difference to other firms and reduces the risk of future litigation. The quality of the letter of advice, booklet and easy to understand analysis also improves the chances of future referrals. You can position the firm as a negative gearing specialist and while the booklets are currently available, the software is due for release in March, 2010.

Dear Name

RE: BUYING AN INVESTMENT PROPERTY

Firstly, thank you for meeting with us to discuss the strategy of buying an investment property.

Buying and negatively gearing an investment property is a well established practice in this country with investors owning approximately 30% of residential properties. Many of our clients have successfully grown their wealth using this long term, tax effective strategy but we have also seen some financial disasters. Property is not devoid of risk and while gearing can amplify your gains, it can also magnify your losses.

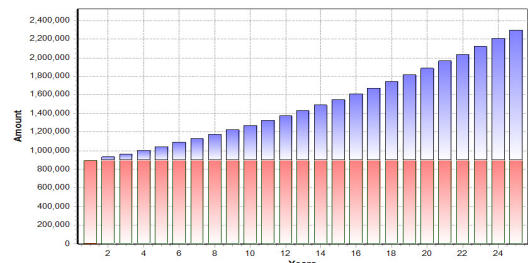
Being a significant financial commitment it needs to be thoroughly researched, carefully planned and most importantly, it must be financially sound. Australia now boasts many self proclaimed property 'gurus' but there is no substitute for independent, unbiased professional advice. As your accountants, our role is to help you understand the tax and cashflow implications of buying a negatively geared property. We cannot advise on where, when or the best type of property to buy, however, based on a number of assumptions we can prepare a detailed financial analysis.

At our meeting we provided you with a lot of information including our booklet, 'The Complete Guide to Buying a Negatively Geared Property'. This booklet contains a comprehensive summary of the tax treatment of the costs associated with buying, maintaining and selling an investment property. The A-Z expense directory details what costs are fully deductible, those that are non-deductible and the expenses that must be claimed over a number of years.

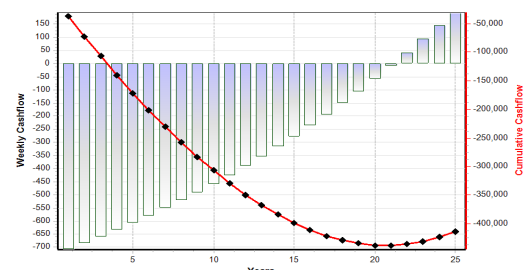
It also contains separate sections dedicated to initial purchase costs and capital gains tax. Given property is generally regarded as a long term investment, the booklet also provides a number of tax tips and warnings should your personal circumstances change



Property Value Chart



Weekly and Cumulative Cashflow Chart



Year Ending	Year 1	Year 2	Year 3	Year 4	Year 5
Your Investment					
Property Value	400,000	416,000	432,640	449,946	467,943
Investment Loan	407,540	407,540	407,540	407,540	407,540
Net Equity	-7,540	8,460	25,100	42,406	60,404
Outgoings					
Payment on Investment Loan	30,565	30,565	30,565	30,565	30,565
Advertising	200	206	212	219	225
Bank Charges and Fees	20	21	21	22	23
Body Corporate	0	0	0	0	0
Building Construction Write Off	5,000	5,150	5,305	5,464	5,628
Cleaning	200	206	212	219	225
Gardening & Lawns	200	206	212	219	225
(Insurance Landlord)	0	0	0	0	0
(Insurance Building (Nil as Body Corporate))	500	515	530	546	563
Letting Fee - 2 weeks Rental plus GST	800	824	849	874	900
Postage and Stationery	12	12	13	13	14
(Rates Water & Council)	1,000	1,030	1,061	1,093	1,126
Repairs	500	515	530	546	563
Telephone	6	6	6	7	7
Travel to Inspect and Miscellaneous	100	103	106	109	113
Additional Expenses	0	0	0	0	0
Total Annual Outgoings	39,103	39,360	39,623	39,895	40,175
Serviced By					
Rental Income	20,800	21,632	22,497	23,397	24,333
Tax Savings	12,205	11,729	11,272	10,830	10,397
Total Incomng	33,005	33,361	33,770	34,227	34,730
Surplus/(Deficit) Yearly	(6,099)	(5,999)	(5,854)	(5,668)	(5,445)
Surplus/(Deficit) Weekly	(117)	(115)	(113)	(109)	(105)
Gross Return	5.20%	5.20%	5.20%	5.20%	5.20%
Nett Return (excl. interest)	3.07%	3.09%	3.11%	3.13%	3.15%

We Have Moved Office & Rebranded!

I have been looking forward to writing this first edition of The General Journal for 2010 to announce the fact that we have moved offices (for the final time) and after 25 years we have re-branded with a new logo and slogan, 'Helping Accountants Succeed'.



The relocation to larger premises is a result of our continued growth and support from our network of over 2,000 accounting firms across Victoria and Albury. As we enter a new decade, the re-branding was prompted by our need to 'practice what we preach' given our growing involvement in marketing for accountants. Stay tuned for the launch of our new website in March.

I am very fortunate to say that "I love my job" and helping accountants succeed is my passion (if not obsession). If you want to attract your ideal type of client, build your profits or improve the value of your practice call us today! While Cashflow Manager remains our flagship program, the majority of my time is now spent in practice management which includes consultancy, profitability diagnostics, practice broking and marketing consultancy. We continue to develop practical tools to help you streamline your processes, market your services and unlock the referral flood gates. If you visit www.pjcam.com.au you can download a catalogue of our products from the foot of the home page.

Following the national success of our *Show Me The Money* road show of seminars in 2009, we are again planning a similar series of seminars and the popularity and growth of 'Oaks Club' (exclusively for female partners and principals) will see the launch of 'The Small Practices Club' in 2010. It's a new decade full of new opportunities and we look forward to working with you to make 2010 a defining year. Finally, thank you for your readership, loyalty and ongoing referrals.

We can now be found at **1355 High Street, Malvern 3144**. We are located on the corner of Cawkwell Street, 100 metres from the corner of High Street and Tooronga Road. A new business card is enclosed that lists our new contact details.

Need A Holiday?

Over the past few years we have been very selective when promoting other businesses in our General Journal newsletters but we have found something very special for this holiday edition. The 5 star 'Echuca Moama Murray River Resort' is set on over 13 acres of riverfront bush land and has all the creature comforts a burnt out accountant could need including :

- Lagoon Style Solar Heated Pool with 2 Heated Spas and Under Cover Pool Caves
- Full Size Tennis Court & Children's Playground
- Accommodation is in 8 Fully Self Contained Air Conditioned Villas each with 5 star furnishings including 42 inch LCD TVs in living area, 23 inch LCD in Master Bedroom, Dishwasher, Washing Machine and Dryer plus Private Outdoor Settings



The location is a 2 hour drive from Melbourne just 600 metres out of Moama opposite the Sporting Club. The luxury resort backs onto the Murray River and the owners have offered our clients a 10% discount and a complimentary bottle of wine on arrival. Contact Mark Petterwood for bookings or enquiries on 0413 771 044.

Discussion Group Presentations

We have recently developed several new presentations for Discussion Groups that run for around 60 minutes. Call us if you are looking for a speaker on the following topics :



- **Marketing Your Practice** - Marketing should be a continuous process for accountants and all your business resources play a role, including staff right down to the reception area, letterhead, business cards, your website and practice brochures. No doubt referrals are the major source of your growth, yet so many accountants struggle to ask for them. What are you doing to maximise referrals from your existing clients? Discover a systemised approach that is supported by various tools that remove that uncomfortable 'selling' feeling.
- **Tools of The Trade** - You'll get a demonstration of the tools, software programs and techniques leading firms are using to improve their practice efficiency, profitability and value. A number of the tools are designed to streamline the client process with business start-ups, benchmarking, negative gearing, budgets, business plans and business performance analysis.

Version 7.5.0.2

Version 7.5.0.2 of Cashflow Manager has been released and is available free to clients who are current in their CARE support subscription. It contains several very important features that both clients and accountants have requested:



- Before the release of Version 7.5.0.1, clients would send their file to their accountant and if they kept working on the file and later restored the file edited by their accountant they would lose their additional data entry. Not anymore. Separate instructions on how to isolate the Cashflow Manager component of the file were sent out with your Version 7.5.0.1 update.
- There is a data purge feature so for example, clients who have been using Invoice Manager for the last 10 years (and have huge data files that is slowing the operation of the program) can now purge their old data and reduce the size of the file.
- Your Member ID will now appear in the bottom left hand corner of the screen making it easy to access when calling or emailing for support.

For 'Inner Circle' members, please download the Version 7.5.0.2 update immediately. You'll also find the Cashflow Manager website (www.cashflow-manager.com) has been upgraded to include a number of additional support and training tools including an updated support library and training videos. As always, we remind you that you should do a backup before you install any updates!

Cashflow Manager & Vista

Microsoft has installed strict security protocols on the Vista operating system which may restrict access to Cashflow Manager files unless the software has been installed to run as an Administrator.

Operators using Vista will need to know how to change their computer settings to access Cashflow Manager files. When running Cashflow Manager 7 on Vista, the executable file (CFM7.exe) needs to have its Properties set to run as Administrator. This will need to be done when first installing Cashflow Manager 7 or whenever applying an update to the program as the executable file will be replaced.

Instructions on changing the settings to allow Cashflow Manager to run on Vista are available from the Support section of www.cashflow-manager.com or alternatively email us and we will email you the instructions.

Cashflow Manager & Mac's

Cashflow Manager Pty Ltd does not support its software on any hardware platform other than an IBM based PC running Windows XP or Vista. The current range of Mac's allow you to convert to the IBM based PC platform via two methods.



Option 1 - All new Mac's come with a program called Boot Camp pre-installed under the Utilities icon. Once set up, this allows the computer to be started using either the Mac's Leopard operating system or a different operating system such as Microsoft XP or Vista. To use the Boot Camp feature you must install a licensed copy of XP or Vista on the Mac as Microsoft operating systems do not come pre-installed on a Mac. This is a simple process and only needs to be done once. Once the XP or Vista operating system is installed you are given the option of using the computer in either Mac or Microsoft mode each time that you start or re-boot the computer.

The next step is to install the Cashflow Manager software, to do this simply start the computer in Microsoft mode and install via the standard Cashflow Manager installation instructions.

Option 2 - Using emulation software called "Parallel" which costs approximately AUD \$99 or "Fusion" (similar price). These programs can be placed in the program dock (similar to any other Mac program) and opened at any time while working within a Mac environment. The user can toggle between the two platforms (Mac or Windows) when necessary. We have not tested Cashflow Manager on this type of system and cannot guarantee any support if a compatibility issue arises or a failure occurs on the Macintosh and 'Virtual PC' system.

Cashflow Manager 2010 Training Workshops

We will continue to run regular evening Training 'Workshops' (7pm - 9pm) at our new Malvern offices. The cost is \$99 per person and places are strictly limited. Upcoming workshops are scheduled for:



Monday February 8, 2010
Monday February 22, 2010
Monday March 15, 2010
Monday March 29, 2010
Monday April 19, 2010